

SEBI (LISTING OF SPECIFIED SECURITIES ON INSTITUTIONAL TRADING - PLATFORM) REGULATIONS, 2013

NOTIFICATION NO. LAD-NRO/GN/2013-14/27/6720, DATED 8-10-2013

In exercise of the powers conferred by sub-sections (1) and (2) of section 11, sub-section (2) of section 11A and section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), section 31 read with section 21A of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Board hereby makes the following Regulations to further amend the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, namely:—

Short title and commencement.

1. These regulations may be called the Securities and Exchange Board of India (Listing of Specified Securities on Institutional Trading Platform) Regulations, 2013.
2. They shall come into force on the date of their publication in the Official Gazette.

Amendment to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

3. In the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009,—

- (i) after Chapter XB, the following Chapter shall be inserted, namely:—
"CHAPTER XC

LISTING AND ISSUE OF CAPITAL BY SMALL AND MEDIUM ENTERPRISES ON INSTITUTIONAL TRADING PLATFORM WITHOUT INITIAL PUBLIC OFFERING

106W. *Applicability.*—The provisions of this Chapter shall apply to small and medium enterprises which do not have their securities listed on any recognised stock exchange and which seek listing of their specified securities exclusively on the institutional trading platform.

106X. *Definitions.*—(1) In this Chapter, unless the context otherwise requires,—

- (a) "institutional trading platform" means the trading platform in a SME exchange for listing and trading of specified securities of small and medium enterprises for informed investors;
- (b) "small and medium enterprise" means a public company including start-up company, that complies with all the eligibility conditions specified in regulation 106Y.

(2) All other words and expressions used in this Chapter but not defined under sub-regulation (1) shall derive their meaning from regulation 2 of these regulations.

106Y. *Eligibility.*—A small and medium enterprise shall be eligible for listing of its securities on the institutional trading platform, if it satisfies the following:

- (a) the company, its promoter, group company or director does not appear in the wilful defaulters list of Reserve Bank of India as maintained by Credit Information Bureau (India) Limited;
- (b) there is no winding up petition against the company that has been admitted by a competent court;
- (c) the company, group companies or subsidiaries have not been referred to the Board for Industrial and Financial Reconstruction within a period of five years prior to the date

- of application for listing;
- (d) no regulatory action has been taken against the company, its promoter or director, by the Board, Reserve Bank of India, Insurance Regulatory and Development Authority or Ministry of Corporate Affairs within a period of five years prior to the date of application for listing;
 - (e) the company has not completed a period of more than ten years after incorporation and its revenues have not exceeded one hundred crore rupees in any of the previous financial years;
 - (f) the paid up capital of the company has not exceeded twenty five crore rupees in any of the previous financial years;
 - (g) the company has atleast one full year's audited financial statements, for the immediately preceding financial year at the time of making listing application;
 - (h) any one of the following criteria:
 - (i) Atleast one alternative investment fund, venture capital fund or other category of investors/lenders approved by the Board has invested a minimum amount of fifty lakh rupees in equity shares of the company, or
 - (ii) Atleast one angel investor who is a member of an association/group of angel investors which fulfils the criteria laid down by the recognised stock exchange, has invested a minimum amount of fifty lakh rupees in the equity shares of the company through such association/group, or
 - (iii) The company has received finance from a scheduled bank for its project financing or working capital requirements and a period of three years has elapsed from the date of such financing and the funds so received have been fully utilized, or
 - (iv) A registered merchant banker has exercised due diligence and has invested not less than fifty lakh rupees in equity shares of the company which shall be locked in for a period of three years from the date of listing, or
 - (v) A qualified institutional buyer has invested not less than fifty lakh rupees in the equity shares of the company which shall be locked in for a period of three years from the date of listing, or
 - (vi) A specialized international multilateral agency or domestic agency or a public financial institution as defined under section 4A of the Companies Act, 1956 has invested in the equity capital of the company.

106Z. *Listing of specified securities.*—(1) A company that fulfils the eligibility criteria specified in regulation 106Y may apply to a recognised stock exchange for listing of its specified securities on the institutional trading platform, enclosing therewith an information document containing disclosures as specified in Schedule XIX A.

(2) The information document shall be made public by hosting it on the website of recognised stock exchange for a period of atleast twenty one days from the date of such filing.

(3) The recognised stock exchange may grant in-principle approval to the company.

(4) The company which has received in-principle approval from the recognised stock exchange for listing of its specified securities on the institutional trading platform shall be deemed to have been waived by the Board under sub-rule (7) of rule 19 from clause (b) of sub-rule (2) of rule 19 of Securities Contracts (Regulation) Rules, 1957 for the limited purpose of listing on institutional trading platform.

(5) The recognised stock exchange on satisfying that the applicant is compliant with regulation 106Y and its bye-laws may list the securities of the company on the institutional trading platform.

106ZA. *Conditions on issue of securities and raising of capital.*—(1) Listing of

specified securities on institutional trading platform shall not be accompanied by any issue of securities to the public in any manner.

(2) The company shall not make initial public offering while its specified securities are listed on institutional trading platform.

(3) The company listed on institutional trading platform may raise capital through private placement or rights issue without an option for renunciation of rights.

(4) The private placement of securities by a company whose securities are listed on institutional trading platform shall be subject to the following:

- (a) the company shall obtain in-principle approval from the recognised stock exchange prior to private placement;
- (b) the approval of shareholders through a special resolution under sub-section (1A) of section 81 of Companies Act, 1956 shall be obtained;
- (c) the company shall complete allotment of securities within two months of obtaining such approval;
- (d) the explanatory statement to the notice to shareholders shall include the disclosures regarding:
 - (i) the purpose for private placement;
 - (ii) identity of allottees;
- (iii) whether allottee is a promoter or belongs to the promoter group and if not the relationship between promoter and allottee;
- (iv) nature of securities being issued;
- (v) price at which the security is being issued.
- (e) the disclosures as referred to in clause (d) of sub-regulation (4) shall be made available to the recognised stock exchanges for dissemination, atleast fifteen days prior to the general body meeting where approval of shareholders is being sought for the proposed private placement;
- (f) the securities so issued through private placement shall be made at a price not less than higher of the following:
 - (i) the book value of the equity shares as per its last audited financial statement not older than six months;
 - (ii) value of shares as determined in an independent auditor's or registered merchant banker's report.

(5) A company listed on institutional trading platform making a rights issue shall comply with the following:

- (a) there shall not be an option for renunciation of rights;
- (b) the company shall obtain in-principle approval from the recognised stock exchange where its securities are listed prior to a rights issue;
- (c) the company making a rights issue shall send a letter of offer to its shareholders through registered post or speed post or electronic mode and the same shall be made available on the website of the company and the recognised stock exchange.

106ZB. *Minimum promoter shareholding and lock-in.*—Not less than twenty per cent. of the post listing capital shall be held by the promoters at the time of listing of specified securities of the small and medium enterprise which shall be locked-in for a period of three years from date of listing.

106ZC. *Trading of specified securities.*—(1) All specified securities of the company shall be in dematerialized form upon listing on institutional trading platform.

(2) The company shall have connectivity with atleast one depository at all times.

(3) The minimum trading lot on institutional trading platform shall be ten lakh rupees.

106ZD. *Exit from institutional trading platform.*—(1) A company whose specified

- securities are listed on institutional trading platform may exit from that platform, if:
- (a) its shareholders approve such exit by passing a special resolution through postal ballot where ninety per cent. of total votes and the majority of non-promoter votes have been cast in favor of such proposal;
 - (b) the recognised stock exchange where its shares are listed approve such exit.
- (2) A company whose securities are listed on institutional trading platform shall exit the platform in the event of:
- (a) its specified securities have been listed on this platform for a period of ten years;
 - (b) the company has paid up capital of more than twenty five crore rupees;
 - (c) the company has revenue of more than three hundred crore rupees as per the last audited financial statement;
 - (d) the company has market capitalization of more than five hundred crore rupees:
- Provided** that the stock exchange may grant eighteen months time to such company to delist upon happening of any of the events as referred to in clauses (a) to (d).
- (3) A company listed on institutional trading platform shall be delisted and permanently removed from the institutional trading platform under the following circumstances:
- (a) the company has failed to file its periodic filings with the recognised stock exchange for more than one year; or
 - (b) the company has failed to comply with corporate governance norm(s) for more than one year; or
 - (c) notwithstanding anything contained in clauses (a) and (b), the recognised stock exchange may delist the company on non-compliance of the condition of listing as may be specified by the recognised stock exchange.
- (4) In case of a company delisted under sub-regulation (3), no company promoted by promoters and directors of such delisted company shall be permitted to be listed on institutional trading platform for a period of five years from the date of such delisting: **Provided** that the provisions of sub-regulation (4) shall not apply to a company promoted by the independent directors of such a delisted company.
- 106ZE. *Liability for mis-statement in the information document.*—In case of any mis-statement in the information document or any omission therein, any person who has authorized the issue of information document shall be liable in accordance with the provisions of the Act and regulations made thereunder."
- (ii) after Schedule XIX, the following Schedule shall be inserted, namely:—

"SCHEDULE XIXA

[See regulation 106Z(1)]

INFORMATION DOCUMENT

1. Business.
 - 1.1 Description of business:
 - I. Describe the general development of the business of the company, its subsidiaries;
 - II. The principal products produced and services rendered by the company in the segment and the principal markets for the segment's principal products and services;
 - III. The sources and availability of raw materials;
 - IV. The importance of the segment and the duration and effect of all patents, trademarks, licenses, franchises and concessions held;
 - V. The practices of the company and the industry (respective industries) relating to working capital items;
 - VI. If material, the estimated amount spent during each of the last three fiscal years on

company-sponsored research and development activities determined in accordance with generally accepted accounting principles;

VII. The number of persons employed by the company;

VIII. This section is not intended to require disclosure of otherwise non-public corporate information the disclosure of which would affect adversely the company's competitive position.

1.2 Financial information:

Complete audited Balance Sheet, Profit & Loss Account, Cash Flow statement, with attendant annexure and notes to accounts for the previous year.

1.3. The capital structure shall be presented in the following manner in a tabular form:

- (a) The authorised, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value);
- (b) Share premium account;
- (c) The details of the existing share capital of the company in a tabular form, indicating therein with regard to each allotment, the date of allotment, the number of shares allotted, the face value of the shares allotted and the form of consideration.

1.4. Description of property:

- I. This section requires disclosure of information on fixed assets and intellectual property rights etc;
- II. The names of the entities from whom such property has been acquired, nature of title, details of whether such property acquired by the company is free from all encumbrances and has a clear title and whether it is registered in the name of the company;
- III. Whether any such property has been acquired from related parties.

2. Risk factors.

2.1 Where appropriate, provide under the caption "Risk Factors" a description of the most significant factors that make the offering speculative or risky. This description must be concise and organized logically.

2.2 The risk factors may include, among other things, the following:

- I. The lack of an operating history;
- II. The lack of profitable operations in recent periods;
- III. The financial position;
- IV. The business or proposed business;
- V. The lack of a market for the company's equity shares or securities convertible into or exercisable for equity shares.

3. Security ownership of certain beneficial owners and management.

3.1. Information with respect to the shareholding of a beneficial owner:

<i>Class/type of securities</i>	<i>Name and address of beneficial owner</i>	<i>Amount and nature of beneficial ownership</i>	<i>Percent</i>
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3.2. Any significant shareholders agreement and details thereof.

4. Directors and executive officers.

List the names and ages of all directors of the company and all persons nominated or chosen to become directors; indicate all positions and offices with the company held by each such person; state his term of office as director and any period(s) during which he has served as such; describe briefly any arrangement or understanding between him and any other person(s) (naming such person(s)) pursuant to which he was or is to be selected as a director or nominee.

5. Promoters.

5.1 A complete profile of their promoters, including their name, age, personal

addresses, educational qualifications, experience in the business or employment and in the line of business proposed in the offer document, positions/posts held in the past, directorship(s) held, other ventures of each promoter, their business and financial activities, photograph, voter identification number, driving license number, shall be disclosed.

5.2 Where the promoters are companies:

History of the companies and their promoters shall be furnished. In case the promoters of such companies are again companies or bodies corporates, names of natural persons in control (i.e., holding fifteen per cent. or more voting rights) or who are on the board of directors of such bodies corporate shall be disclosed. Details of change in control or management of the promoter companies, if any, including details of the persons who held the controlling interest in the three years immediately preceding the filing the draft offer document.

6. Certain relationships and related transactions, and director independence. Describe any transaction with related parties in which the company was or is to be a participant and the amount involved exceeds a twenty five thousand rupees.

7. Legal proceedings.

This section requires disclosure of any material pending legal proceedings (other than ordinary routine litigation incidental to the business, such as lawsuits against an insurance company's customers) to which the company or any of its subsidiaries is a party or in which any of their property is the subject. This section must include a description of the facts underlying the proceedings and the court action(s) sought.

8. Declaration.

8.1 The draft information document and the final information document shall be approved by the board of directors of the issuer and shall be signed by all directors, the Chief Executive Officer, i.e., the Managing Director or Manager within the meaning of the Companies Act, 1956 and the Chief Financial Officer, i.e., the whole-time finance director or any other person heading the finance function and discharging that function.

8.2 The signatories shall further certify that all disclosures made in the offer document are true and correct."

Amendment to the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

4. In the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, in regulation 1,—

- (i) in sub-regulation (3), for the full stop, the symbol ":" shall be substituted;
- (ii) after sub-regulation (3), the following proviso shall be inserted, namely,—

"Provided that these regulations shall not apply to direct and indirect acquisition of shares or voting rights in, or control over a company listed on the institutional trading platform of a recognised stock exchange."

Amendment to the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009.

5. In the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, in regulation 3,—

- (i) in sub-regulation (1), for the full stop, the symbol ":" shall be substituted;
- (ii) after sub-regulation (1), the following proviso shall be inserted, namely,—

"Provided that these regulations shall not apply to securities listed on the institutional trading platform of a recognised stock exchange."